

Message Text

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ACTION EA-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-03
INR-10 NSAE-00 ICA-11 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-07
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R 270558Z APR 78
FM AMEMBASSY CANBERRA
TO SECSTATE WASHDC 3108
INFO AMCONSUL BRISBANE
AMCONSUL PERTH
AMCONSUL MELBOURNE
AMCONSUL SYDNEY
AMEMBASSY TOKYO
AMEMBASSY WELLINGTON

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SUBJ: MARCH QUARTER 1978 AUSTRALIAN CPI

REF: CANBERRA 655

BEGIN UNCLASSIFIED

1. SUMMARY: MARCH QUARTER CPI RISE, AT 1.3 PCT, IS LOWEST
QUARTERLY RISE SINCE SEPTEMBER QUARTER 1975. TWELVE MONTH
INFLATION RATE NOW AT 8.2 PCT. GOVERNMENT CLEARLY PLEASED
WITH RESULTS, BUT WARNS THAT IT CRUCIAL THAT ARBITRATION
COMMISSION MUST PRACTICE RESTRAINT IN FORTHCOMING NATIONAL
WAGE CASE HEARINGS. OPPOSITION LEADER LAMENTS HIGH SOCIAL
AND ECONOMIC COSTS INVOLVED IN REACHING LOWERED RATE. WHILE
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SPECIAL AND SEASONAL FACTORS CONTRIBUTED TO LOWER MARCH
QUARTER CPI FIGURE, THERE WILL BE REVERSE FACTORS IN
MONTHS TO COME WHICH MAY WELL FORCE CPI RATE OF INCREASE
UPWARD AGAIN. END SUMMARY

2. ON APRIL 26 AUSTRALIAN BUREAU OF STATISTICS ISSUED
MARCH QUARTER 1978 AUSTRALIAN CPI FIGURES WHICH, AT 1.3

PCT, WERE LOWEST SINCE SEPTEMBER QUARTER OF 1975, AND WAS THE LOWEST MARCH QUARTER SINCE 1972. INFLATION RATE FOR TWELVE MONTHS THROUGH MARCH QUARTER NOW STANDS AT 8.2 PCT, WHILE ON AN ANNUAL BASIS RATE IS NOW 5.2 PCT. RATE IN DECEMBER 1977 QUARTER WAS 2.4 PCT, WITH 12 MONTH RATE AT 9.3 PCT. RATE FOR MARCH QUARTER 1977 WAS 2.3 PCT, WITH 12 MONTH RATE AT 13.4 PCT.

3. CPI RISE FOR QUARTER WAS HEAVIEST IN BRISBANE, AT 1.8 PCT, WITH OTHER CAPITAL CITIES REGISTERED AS FOLLOWS: MELBOURNE 1.1 PCT; SYDNEY, 1.4 PCT; ADELAIDE, 0.9 PCT; PERTH, 1.2 PCT; HOBART, 1.1 PCT AND CANBERRA 1 PCT.

4. ON NATIONAL BASIS HEALTH AND PERSONAL CARE GROUP OF CPI SHOWED BIGGEST INCREASES, RISING BY 2.2 PCT, AFTER INCREASES IN HEALTH FUND CONTRIBUTION RATES IN SYDNEY AND CANBERRA. THIS GROUP FOLLOWED BY RECREATION COSTS, 2.0 PCT; HOUSING 1.4 PCT; TOBACCO AND ALCOHOL 1.1 PCT; CLOTHING 1.1 PCT; HOUSEHOLD EQUIPMENT AND OPERATION 1.0 PCT; AND FOOD BY ONLY 0.6 PCT.

5. TREASURER, HOWARD, ALTHOUGH CLEARLY QUITE PLEASED WITH RESULTS, WARNED THAT BATTLE FAR FROM WON AND STATED THAT GOVERNMENT WOULD PRESS FOR LESS THAN FULL FLOW-ON INTO AWARD WAGES AT FORTHCOMING CONCILIATION AND ARBITRATION COMMISSION WAGE CASE HEARINGS.
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"WE WOULD LIKE TO SEE THE ARBITRATION COMMISSION GIVE A LITTLE MORE THOUGHT TO THE CONSEQUENCES ITS DECISIONS HAVE ON THE CAPACITY OF BUSINESS IN AUSTRALIA TO EMPLOY PEOPLE," HE SAID.

6. LEADER OF THE OPPOSITION HAYDEN, WHILE OF COURSE WELCOMING LOW FIGURE, LAMENTED FACT THAT IT HAD BEEN ACHIEVED "AT SUCH HIGH SOCIAL AND ECONOMIC COSTS, MEASURED IN MASSIVE UNEMPLOYMENT, DEPRESSED BUSINESS CONDITIONS AND THE WORST RECESSION SINCE THE 1930'S".
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7. COMMENT: DESPITE THE FACT THAT SUCH SPECIAL AND SEASONAL FACTORS AS THE SPREAD OF GASOLINE DISCOUNTING TO SYDNEY, BRISBANE AND ADELAIDE AND A SEASONAL FALL IN FRUIT AND VEGETABLE PRICES CONTRIBUTED TO THE LOW OVERALL CPI INCREASE, THE GOVERNMENT IS TAKING COMFORT FROM FACT THAT MANY WERE PREDICTING RISE WOULD BE IN AREA OF 1.5-1.7 PCT AND THAT IT THUS HAS RELATIVELY LOW STARTING POINT FROM WHICH TO FACE UPWARD PRESSURES

DUE TO BE FORTHCOMING IN MONTHS TO COME. THESE INCLUDE SPREAD TO OTHER STATES OF INCREASED MEDICAL AND PERSONAL CARE COSTS, SEASONAL CLOTHING COST RISES DUE TO NEED TO PURCHASE MORE EXPENSIVE WINTER CLOTHING, INCREASES IN GASOLINE PRICES AS SECOND STAGE OF CRUDE-OIL PRICING POLICY INTRODUCED AND HIGHER WINTER-TIME FOOD PRICES.

8. GOVERNMENT CLEARLY HOPING THAT RELATIVELY LOW CPI INCREASE WILL HAVE DESIRABLE PSYCHOLOGICAL EFFECT ON CONSUMERS AND PRODUCERS BY REDUCING INFLATIONARY EXPECTATIONS. IT ALSO CLEAR THAT GOVERNMENT PLANNING ALL OUT EFFORT IN ARBITRATION COMMISSION HEARINGS ON FAMILIAR GROUNDS THAT INCREASED WAGES WILL CONTINUE TO ADVERSELY AFFECT EMPLOYMENT. SIR FREDERICK WHEELER, LIMITED OFFICIAL USE

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SECRETARY TO THE TREASURY, RECENTLY TOLD AN EMBOFF THAT HE CONFIDENT RESULTS WILL BE GENERALLY SATISFACTORY TO GOVERNMENT.
LASTON

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